

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Plymouth	County Wayne
Audit Date 6/30/05	Opinion Date 10/13/05	Date Accountant Report Submitted to State: 11/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

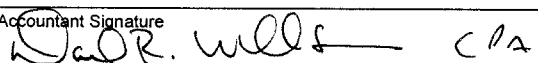
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel, LLP			
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI
		ZIP 48170	
Accountant Signature 			Date 11/29/05

CITY OF PLYMOUTH
Wayne County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2005

CITY OF PLYMOUTH
For the Year Ended June 30, 2005

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For the Year Ended June 30, 2005

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FINANCIAL SECTION

POST, SMYTHE, LUTZ AND ZIEL LLP

Certified Public Accountants

PLYMOUTH

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Joseph N. Elder, C.P.A.
Rana M. Emmons, C.P.A.

**1034 W. ANN ARBOR TRAIL
PLYMOUTH, MICHIGAN 48170-1502**

**TELEPHONE: (734) 453-8770
FAX: (734) 453-0312**

WAYNE

Frank W. Smythe, C.P.A.
Ronald H. Traskos, C.P.A.
Kathy Billings, C.P.A., C.V.A.

Marty C. Morrison, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

Sharon Walz Duckworth, C.P.A.
Cari A. Ford, C.P.A.
Wendy Leung Lee, C.P.A., C.V.A.
Therese Mulholland, C.P.A.

Independent Auditor's Report

October 13, 2005

To the Honorable Mayor and
Members of the City Commission
City of Plymouth, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth, Michigan as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Plymouth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

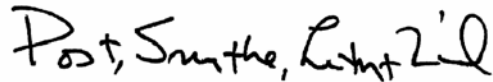
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Plymouth as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of the
City Commission
City of Plymouth, Michigan

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Plymouth's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz & Ziel". The signature is written in a cursive, flowing style.

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants



City of Plymouth

201 SOUTH MAIN STREET
PLYMOUTH, MICHIGAN 48170-1688
(734) 453-1234
FAX: (734) 455-1892
www.ci.plymouth.mi.us

Management's Discussion and Analysis

As management of the City of Plymouth, we offer readers of the City of Plymouth's financial statements this narrative overview and analysis of the financial activities of the City of Plymouth for the fiscal year ended June 30, 2005.

Financial Highlights

- The assets of the City of Plymouth exceeded its liabilities at the close of the most recent fiscal year by \$16,089,209 (*net assets*). Of this amount, \$4,518,235 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$4,940,912, a decrease of \$33,111 in comparison with the prior year. Approximately 43% of this total amount, \$2,168,371, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$689,328, an increase of \$377,217 over the prior year, and approximately 12 percent of total general fund expenditures.
- The City of Plymouth's total long-term debt decreased by \$1,588,347 (10 percent) during the current fiscal year. The reduction resulted from debt payments net of increases in accumulated unpaid sick and vacation pay.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Plymouth's basic financial statements. The City of Plymouth's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Plymouth's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Plymouth's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Plymouth is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Plymouth that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Plymouth include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Plymouth include a water and sewer system.

The government-wide financial statements include not only the City of Plymouth itself (known as the *primary government*), but also a legally separate Downtown Development Authority, and other "non major" component units for which the City of Plymouth is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Plymouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Plymouth can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Plymouth maintains twenty three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Recreation Fund, and the 2004 G.O. Capital Project Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Plymouth adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary funds. The City of Plymouth maintains a single proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Plymouth uses an enterprise fund to account for its water and sewer activity.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Plymouth's various functions. The City of Plymouth uses an internal service fund to account for its fleet of vehicles, and other equipment. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Plymouth's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-50 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Plymouth's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 51 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 52-65 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Plymouth, assets exceeded liabilities by \$16,089,209 at the close of the most recent fiscal year.

By far the largest portion of the City of Plymouth's net assets (51 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Plymouth used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Plymouth's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Plymouth's Net Assets

	Governmental		Business-type		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 6,151,603	\$ 6,449,682	\$ 2,962,722	\$ 2,253,721	\$ 9,114,325	\$ 8,703,403
Capital Assets	14,341,969	13,931,443	6,521,496	6,292,169	20,863,465	20,223,612
Total Assets	20,493,572	20,381,125	9,484,218	8,545,890	29,977,790	28,927,015
Long-term Liabilities	8,355,657	9,650,447	3,115,000	3,260,000	11,470,657	12,910,447
Other Liabilities	1,940,114	2,127,920	477,810	447,329	2,417,924	2,575,249
Total Liabilities	10,295,771	11,778,367	3,592,810	3,707,329	13,888,581	15,485,696
Net Assets:						
Invested in Capital Assets						
net of related debt	4,939,807	3,217,053	3,261,496	2,892,169	8,201,303	6,109,222
Restricted	2,772,541	3,408,901	597,130	538,099	3,369,671	3,947,000
Unrestricted	2,485,453	1,976,804	2,032,782	1,408,293	4,518,235	3,385,097
Total Net Assets	\$ 10,197,801	\$ 8,602,758	\$ 5,891,408	\$ 4,838,561	\$ 16,089,209	\$ 13,441,319

An additional portion of the City of Plymouth's net assets (21 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,518,235) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Plymouth is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by \$2,647,890 during the current fiscal year as discussed below.

	Governmental Activities		Business Activities		Total	
	2005	2004	2005	2004	2005	2004
Program Revenues:						
Charges for Services	\$ 3,287,422	\$ 3,111,882	\$ 3,626,127	\$ 3,419,461	\$ 6,913,549	\$ 6,531,343
Operating Grants & Contributions	610,906	682,137	-	-	610,906	682,137
Capital Grants & Contributions	36,768	73,849	75,000	-	111,768	73,849
General Revenues:						
Property Taxes	6,340,742	6,312,815	-	-	6,340,742	6,312,815
State Shared Revenues	872,562	896,442	-	-	872,562	896,442
Unrestricted Investment Earnings	125,024	42,524	23,313	15,678	148,337	58,202
Other	23,258	20,014	(23,490)	(23,030)	(232)	(3,016)
Total Revenues	11,296,682	11,139,663	3,700,950	3,412,109	14,997,632	14,551,772
Program Expenses						
General Government	1,916,044	1,908,995	-	-	1,916,044	1,908,995
Public Safety	3,450,566	3,398,620	-	-	3,450,566	3,398,620
Public Works	2,222,724	2,316,223	-	-	2,222,724	2,316,223
Recreation, Culture, Health & Welfare	1,319,131	1,332,863	-	-	1,319,131	1,332,863
Other	360,951	382,094	-	-	360,951	382,094
Interest on Long-Term Debt	432,223	407,352	-	-	432,223	407,352
Water and Sewer	-	-	2,648,103	2,671,631	2,648,103	2,671,631
Total Expenses	9,701,639	9,746,147	2,648,103	2,671,631	12,349,742	12,417,778
Change in Net Assets	\$ 1,595,043	\$ 1,393,516	\$ 1,052,847	\$ 740,478	\$ 2,647,890	\$ 2,133,994

Governmental activities. Governmental activities increased the City of Plymouth's net assets by \$1,595,043, thereby accounting for 60 percent of the total growth in the net assets of the City of Plymouth. Key elements of this increase are as follows:

- Principal repayments on certain general obligation indebtedness were financed by voter approved tax levies. The principal reduction (\$730,000) did not result in an "expenditure" on the government wide statements, while the related property tax revenues were included as "general revenues" in the government wide "statement of activities".

- Efforts initiated in 2003 to contain costs due to pending future budget deficits have shown success for the current fiscal year as well as in trends for the next four fiscal years. This is reflected in an increase, primarily in cash reserves, of unrestricted net assets of \$508,649 when compared to the prior fiscal year. Most of this increase is related to fund balance changes in the general and special revenue funds.

Combined expenditures for the general fund, recreation fund, and other special revenue funds of \$9,030,684 are \$349,028 less than the prior fiscal year and are consistent with budgets, as amended, during the fiscal year. Management continues to pursue operational consolidations and service changes that will result in permanent cost reductions. Health care cost containment for active and retired employees remains as a significant problem although costs have stabilized compared with the prior year. Efforts during the new fiscal year and, particularly, during upcoming negotiations with bargaining groups will be aimed at further controlling these continuously escalating costs.

Business-type activities. Business-type activities increased the City of Plymouth's net assets by \$1,052,847, accounting for 40 percent of the total growth in the government's net assets. Nearly all of this increase is related to the successful policy of the City Commission over the previous three fiscal years to address low levels of cash reserves in the city's water and sewer operating fund. With the diminishing resources available from the proceeds of bond sales in 1999, 2000, 2001 and 2003, much of the on-going financing for street-related utility improvements has come from direct funding out of existing reserves of the water and sewer system. For the past three years, the City Commission has addressed the problem of cash reserves by building a rate structure designed to increase these reserves while maintaining sufficient cash to fund continued capital improvements. During fiscal year 2004-05, continuing strong consumption patterns and reduced expenditures has resulted in a significant increase in net business-type assets primarily in unrestricted cash reserves.

Financial Analysis of the Government's Funds

As noted earlier, the City of Plymouth used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Plymouth's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Plymouth's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Plymouth's governmental funds reported combined ending fund balances of \$4,940,912, a decrease of \$33,111 in comparison with the prior year. Approximately 44% of this total amount (\$2,168,371) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$60,050), 2) to generate income to pay for the perpetual care of the municipal cemetery (\$407,028) or 3) for a variety of other restricted purposes (\$2,305,463).

The general fund is the chief operating fund of the City of Plymouth. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$689,328. Unreserved fund balance represents 12 percent of total general fund expenditures.

The increase in the fund balance of the City of Plymouth's general fund by \$377,217 during the current fiscal year was the result of continuing efforts to contain operational expenses in light of a weak Michigan economy, a flattening trend in property tax growth and declining state shared revenues. The city's full time staffing, reduced from 59 employees to 48 in the prior fiscal year, now stands at 42 as of the end of the 2004-05 fiscal year although some increases have occurred in part time staffing to replace the loss of full time employees.

While overall revenues declined by \$45,936, expenditures were reduced by \$138,973 and out-bound inter-fund transfers, used primarily to support other fund operations, were also reduced by an additional \$77,457. The net effect of these changes increased last year's fund balance from \$312,111 to \$689,328. The same trend also is apparent in the city's special revenue funds where similar efforts at cost containment have resulted in additional increases in unrestricted fund balances totaling \$226,032.

Because of the stabilizing trend in tax revenues and the likelihood of continuing losses of state shared revenues, current efforts at cost containment will continue for the next several fiscal years in order to achieve the city's long range goal of deficit elimination as shown in five year budget projections.

Proprietary funds. The City of Plymouth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$2,032,782. The total growth in net assets was \$1,052,847. Other factors concerning the finances of the fund have already been addressed in the discussion of the City of Plymouth's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to an increase in appropriations of \$63,910. Generally, a match existed in spending patterns in the general fund when compared with original budget estimates. All budget variances were favorable, indicating that less was spent than projected in the amended budget and the change resulting from amendment was relatively insignificant compared to the original budget appropriation total of \$6,212,440. All major expenditure categories were within amended budget totals and most were within original budget totals.

Capital outlay expenditures in the general fund have been severely curtailed in the past three fiscal years due to the need to contain costs. As it became apparent that this year's expenditures would reflect favorably on budget estimates, appropriation increases were authorized for capital outlay categories within the general fund. Budget amendments for these expenditures were increased from \$167,500 to \$243,000 although year-end expenditures totaled only \$193,339. Similarly, out-going inter-fund transfers

were amended from \$117,750 to \$250,410 necessitated by revenue shortfalls within other city special revenue funds.

Capital Asset and Debt Administration

Capital assets. The City of Plymouth's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$20,863,465 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and highways. The total increase in the City of Plymouth's investment in capital assets for the current fiscal year was 3.2 percent (a 3 percent increase for governmental activities and a 4 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- 2004 Street Improvements - Ross Street
- 2004 Utility Improvements - Ross Street
- 2004 Street Improvements - Sheldon Road
- Completion of Kellogg Park Public Restrooms
- Creation of Dewey Park Playground
- Improvements to Rotary Park Playground
- 2005 Sidewalk Repair Program

Details to the City's capital assets are contained in the notes to the financial statements on pages 34-35.

Long-term debt. At the end of the current fiscal year, the City of Plymouth had total bonded and installment debt outstanding of \$12,974,656. Of this amount, \$10,589,656 comprises debt backed by the full faith and credit of the government and \$2,385,000 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Additional information on the City of Plymouth's long-term debt can be found in notes IV.D. and IV.E. on pages 38-45.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's continuing budgetary shortfalls means further reductions in statutory state shared revenues. State shared revenues are expected to decrease again in the 2005-2006 fiscal year. The City of Plymouth budgeted for a decrease in state shared revenues and expects this trend to continue in future fiscal years until no further distributions of the statutory portion of these revenues are available. Due to the severity of the state's fiscal crisis, compounded by the negative future financial ramifications of the Delphi bankruptcy, additional cuts are possible before the end of the 2005-06 fiscal year. The City of Plymouth's millage rate remained stable for 2005 for the second year in a row after five consecutive years of reductions as a result of the Headlee amendment. These factors were considered in preparing the City of Plymouth's budget for the 2005-06 fiscal year as well as projections through the 2009-10 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$689,328. The City of Plymouth adopted a balanced budget for the 2005-06 fiscal year which includes a contingency allocation of \$128,140.

The Water and Sewer Fund rates were increased for the 2006 budget year by an average of 4.13 percent for all customers. These rate increases were necessary to finance increases in operational costs from the City of Detroit and Wayne County as well as the debt service and direct capital costs of the on-going water and sewer system improvements.

Requests for Information

This financial report is designed to provide a general overview of the City of Plymouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 102 N. Main Street, City of Plymouth, Plymouth, Michigan 48170.

BASIC FINANCIAL STATEMENTS

CITY OF PLYMOUTH
Statement of Net Assets
June 30, 2005

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 5,058,385	\$ 1,010,173	\$ 6,068,558	\$ 385,915
Receivables (net of allowance for uncollectibles)	-	1,081,593	1,081,593	50,201
Internal Balances	69,336	-	69,336	-
Due from Component Units	3,000	-	3,000	-
Due from Primary Government	-	-	-	10,824
Due from Other Governmental Units	360,872	-	360,872	6,731
Other	522,210	-	522,210	-
Inventory	115,131	84,902	200,033	-
Prepaid Expenditures	22,669	250	22,919	250
Restricted Assets - Cash and Cash Equivalents	-	695,647	695,647	-
Capital Assets (Net of Accumulated Depreciation)	14,341,969	6,521,496	20,863,465	3,228,487
Intangible Assets	-	90,157	90,157	-
Total Assets	20,493,572	9,484,218	29,977,790	3,682,408
<u>LIABILITIES</u>				
Accounts Payable	369,639	265,035	634,674	118,568
Accrued Liabilities	173,743	67,775	241,518	3,047
Internal Balances	26,909	-	26,909	-
Due to Primary Government	-	-	-	3,000
Due to Component Unit	10,824	-	10,824	-
Deferred Revenue	-	-	-	47,515
Noncurrent Liabilities:				
Due within one year	1,385,476	145,000	1,530,476	200,000
Due in more than one year	8,329,180	3,115,000	11,444,180	750,000
Total Liabilities	10,295,771	3,592,810	13,888,581	1,122,130
<u>NET ASSETS</u>				
Invested in Capital Assets, net of related debt	4,939,807	3,261,496	8,201,303	2,278,487
Restricted for:				
Capital Projects	2,305,463	-	2,305,463	-
Debt Service	60,050	597,130	657,180	38,286
Other	407,028	-	407,028	-
Unrestricted	2,485,453	2,032,782	4,518,235	243,505
Total Net Assets	\$ 10,197,801	\$ 5,891,408	\$ 16,089,209	\$ 2,560,278

CITY OF PLYMOUTH
Statement of Activities
For the Year Ended June 30, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Functions/Programs				
Primary Government:				
Governmental Activities:				
General Government	\$ 1,916,044	\$ 1,379,617	\$ 2,945	\$ -
Public Safety	3,450,566	745,731	16,956	-
Public Works	2,222,724	227,761	507,826	-
Recreation and Cultural	1,319,131	934,313	83,179	36,768
Other	360,951	-	-	-
Interest on Long-Term Debt	432,223	-	-	-
Total Governmental Activities	9,701,639	3,287,422	610,906	36,768
Business-type Activities:				
Water and Sewer	2,648,103	3,626,127	-	75,000
Total Primary Government	\$ 12,349,742	\$ 6,913,549	\$ 610,906	\$ 111,768
Component Unit:				
Downtown Development Authority	\$ 875,087	\$ 114,660	\$ -	\$ -

General Revenues:
Property Taxes
State Shared Revenues
Unrestricted Investment Earnings
Loss on Asset Disposal
Transfers
Total General Revenues and Transfers

Change in Net Assets
Net Assets - Beginning

Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (533,482)	\$ -	\$ (533,482)	\$ -
(2,687,879)	-	(2,687,879)	-
(1,487,137)	-	(1,487,137)	-
(264,871)	-	(264,871)	-
(360,951)	-	(360,951)	-
(432,223)	-	(432,223)	-
(5,766,543)	-	(5,766,543)	-
-	1,053,024	1,053,024	-
(5,766,543)	1,053,024	(4,713,519)	-
-	-	-	(760,427)
6,340,742	-	6,340,742	952,602
872,562	-	872,562	-
125,024	23,313	148,337	7,609
(232)	-	(232)	-
23,490	(23,490)	-	-
7,361,586	(177)	7,361,409	960,211
1,595,043	1,052,847	2,647,890	199,784
8,602,758	4,838,561	13,441,319	2,360,494
\$ 10,197,801	\$ 5,891,408	\$ 16,089,209	\$ 2,560,278

CITY OF PLYMOUTH
Balance Sheet
Governmental Funds
June 30, 2005

	General	Recreation Fund	2004 G.O. Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 349,481	\$ 53,195	\$ 1,731,111	\$ 2,331,880	\$ 4,465,667
Receivables (net of allowance for uncollectibles):					
Taxes	367,348	-	-	-	367,348
Accounts	53,195	30,330	4,284	11,731	99,540
Due from Other Funds	90,577	-	-	50,000	140,577
Due from Component Unit	3,000	-	-	-	3,000
Due from Other Governmental Units	243,845	17,408	-	99,619	360,872
Other	-	-	-	55,322	55,322
Inventory	19,010	2,433	-	44,613	66,056
Prepaid Expenditures	6,537	15,786	-	346	22,669
Total Assets	\$ 1,132,993	\$ 119,152	\$ 1,735,395	\$ 2,593,511	\$ 5,581,051

LIABILITIES AND FUND BALANCE

Liabilities:					
Accounts Payable	\$ 186,347	\$ 55,442	\$ 3,137	\$ 116,654	\$ 361,580
Accrued and Other Liabilities	169,585	-	-	-	169,585
Due to Other Funds	76,909	-	-	21,241	98,150
Due to Component Unit	10,824	-	-	-	10,824
Total Liabilities	443,665	55,442	3,137	137,895	640,139
Fund Balances:					
Reserved for:					
Capital Projects	-	-	1,732,258	573,205	2,305,463
Debt Service	-	-	-	60,050	60,050
Other	-	-	-	407,028	407,028
Unreserved for:					
General Fund	689,328	-	-	-	689,328
Special Revenue Funds	-	63,710	-	1,415,333	1,479,043
Total Fund Balances	689,328	63,710	1,732,258	2,455,616	4,940,912
Total Liabilities and Fund Balances	\$ 1,132,993	\$ 119,152	\$ 1,735,395	\$ 2,593,511	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,437,246
Internal Service Funds are used by management to charge the costs of motor pool to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,400,139
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(9,580,496)
Net Assets of Governmental Activities	\$ 10,197,801

CITY OF PLYMOUTH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Recreation Fund	2004 G.O. Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$ 4,344,436	\$ 240,040	\$ -	\$ 1,756,266	\$ 6,340,742
Licenses and Permits	3,024	-	-	481,858	484,882
Intergovernmental:					
Federal, State and Local	882,798	7,000	-	591,005	1,480,803
Charges for Services	679,605	934,313	-	225,932	1,839,850
Fines and Forfeitures	76,262	-	-	-	76,262
Interest and Rent	46,658	1,115	36,452	425,344	509,569
Other	488,779	-	-	52,537	541,316
Total Revenues	<u>6,521,562</u>	<u>1,182,468</u>	<u>36,452</u>	<u>3,532,942</u>	<u>11,273,424</u>
<u>Expenditures</u>					
Current:					
General Government	1,783,540	-	-	1,642	1,785,182
Public Safety	3,055,516	-	-	389,884	3,445,400
Public Works	400,492	-	-	1,383,215	1,783,707
Recreation and Cultural	109,903	1,139,060	-	9,291	1,258,254
Other	360,951	-	-	-	360,951
Debt Service:					
Principal	-	-	-	1,201,723	1,201,723
Interest and Other Charges	-	-	-	432,223	432,223
Capital Outlay	193,339	19,570	636,988	219,088	1,068,985
Total Expenditures	<u>5,903,741</u>	<u>1,158,630</u>	<u>636,988</u>	<u>3,637,066</u>	<u>11,336,425</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>617,821</u>	<u>23,838</u>	<u>(600,536)</u>	<u>(104,124)</u>	<u>(63,001)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	6,146	47,810	-	402,210	456,166
Transfers Out	(246,750)	(9,600)	-	(169,926)	(426,276)
Total Other Financing Sources and Uses	<u>(240,604)</u>	<u>38,210</u>	<u>-</u>	<u>232,284</u>	<u>29,890</u>
Net Change in Fund Balances	377,217	62,048	(600,536)	128,160	(33,111)
Fund Balances - Beginning	<u>312,111</u>	<u>1,662</u>	<u>2,332,794</u>	<u>2,327,456</u>	<u>4,974,023</u>
Fund Balances - Ending	<u>\$ 689,328</u>	<u>\$ 63,710</u>	<u>\$ 1,732,258</u>	<u>\$ 2,455,616</u>	<u>\$ 4,940,912</u>

CITY OF PLYMOUTH
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ (33,111)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, and losses on disposal of fixed assets	503,404
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,137,842
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Internal service funds are used by management to charge the costs of fleet management and management information systems to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(13,092)</u>
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Change in net assets in governmental activities (page 14)	\$ <u><u>1,595,043</u></u>
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CITY OF PLYMOUTH
Balance Sheet
Proprietary Funds
June 30, 2005

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,010,173	\$ 592,718
Accounts Receivable	1,081,593	-
Inventory	84,902	49,075
Prepaid Expense	250	-
Total Current Assets	<u>2,176,918</u>	<u>641,793</u>
Restricted Assets:		
Cash and Cash Equivalents:		
Debt Retirement	597,130	-
Construction	98,517	-
Total Restricted Assets	<u>695,647</u>	<u>-</u>
Property, Plant and Equipment:		
Water and Sewer Infrastructure	9,916,246	-
Machinery, Equipment and Vehicles	292,334	3,481,804
Accumulated Depreciation	<u>(3,687,084)</u>	<u>(2,577,081)</u>
Net Property, Plant and Equipment	<u>6,521,496</u>	<u>904,723</u>
Intangible Assets	<u>90,157</u>	<u>-</u>
Total Assets	\$ <u><u>9,484,218</u></u>	\$ <u><u>1,546,516</u></u>
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities:		
Accounts Payable	\$ 265,035	\$ 8,059
Accrued Liabilities	67,775	4,158
Notes Payable	-	82,596
Bonds Payable	145,000	-
Total Current Liabilities	<u>477,810</u>	<u>94,813</u>
Long-Term Liabilities:		
Notes Payable	-	51,564
Bonds Payable	3,115,000	-
Total Long-Term Liabilities	<u>3,115,000</u>	<u>51,564</u>
Equity:		
Invested in Capital Assets, Net of Related Debt	3,261,496	770,563
Restricted	597,130	-
Unrestricted	<u>2,032,782</u>	<u>629,576</u>
Total Equity	<u>5,891,408</u>	<u>1,400,139</u>
Total Liabilities and Equity	\$ <u><u>9,484,218</u></u>	\$ <u><u>1,546,516</u></u>

CITY OF PLYMOUTH
Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Business Type Activity Enterprise Fund</u>	<u>Governmental Activities - Internal Service</u>
	<u>Water & Sewer</u>	<u>Equipment Fund</u>
<u>Operating Revenues:</u>		
Charges for Services	\$ 3,604,007	\$ 15,005
Rental Income	-	698,685
Miscellaneous	22,120	-
Total Operating Revenues	<u>3,626,127</u>	<u>713,690</u>
<u>Operating Expenses:</u>		
Personal Services, Other and Administrative	451,024	473,347
Trunk and Lateral	186,176	-
Mains	180,476	-
Service Maintenance and Repairs	51,846	-
Sewage Disposal Charges	701,897	-
Purchased Water	552,375	-
Meter Maintenance	104,636	-
Hydrant Maintenance	13,395	-
Depreciation and Amortization	224,120	246,629
Total Operating Expenses	<u>2,465,945</u>	<u>719,976</u>
Operating Income	<u>1,160,182</u>	<u>(6,286)</u>
<u>Non-Operating Revenues (Expenses):</u>		
Loss on Asset Sales	-	(2,231)
Interest Earned	23,313	7,787
Interest Expense	(182,158)	(5,962)
Total Non-Operating Revenues (Expenses)	<u>(158,845)</u>	<u>(406)</u>
Income before Operating Transfers	1,001,337	(6,692)
<u>Operating Transfers:</u>		
Operating Transfers Out	<u>(23,490)</u>	<u>(6,400)</u>
Net Income (Loss)	977,847	(13,092)
Capital Contributions	75,000	-
Fund Equity, Beginning	<u>4,838,561</u>	<u>1,413,231</u>
Fund Equity, Ending	<u>\$ 5,891,408</u>	<u>\$ 1,400,139</u>

CITY OF PLYMOUTH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business Type Activity Enterprise Fund	Governmental Activities - Internal Service
	Water & Sewer	Equipment Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers and users	\$ 3,457,387	\$ 15,005
Receipts from quasi-external transactions	-	698,685
Payments to suppliers	(1,763,461)	(283,895)
Payments to employees	(451,024)	(193,549)
Net Cash Provided by Operating Activities	<u>1,242,902</u>	<u>236,246</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfer to other funds	<u>(23,490)</u>	<u>(6,400)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Contributions	75,000	-
Purchases of Capital Assets	(447,367)	(169,393)
Principal Paid on Capital Debt	(140,000)	(110,505)
Interest Paid on Capital Debt	(174,308)	(5,962)
Proceeds from Sales of Capital Assets	-	13,411
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(686,675)</u>	<u>(272,449)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Earned	<u>23,313</u>	<u>7,787</u>
Net Increase (Decrease) in Cash and Cash Equivalents	556,050	(34,816)
Cash and Cash Equivalents, Beginning	<u>1,149,770</u>	<u>627,534</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,705,820</u>	<u>\$ 592,718</u>
<u>Balance Sheet Classifications:</u>		
Cash and Cash Equivalents	\$ 1,010,173	\$ 592,718
Restricted Assets - Cash and Cash Equivalents	<u>695,647</u>	<u>-</u>
Total	<u>\$ 1,705,820</u>	<u>\$ 592,718</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>		
Operating Income	\$ 1,160,182	\$ (6,286)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	218,040	246,629
(Increase) Decrease in Receivables	(168,740)	-
(Increase) Decrease in Inventory	7,939	(2,079)
Increase (Decrease) in Accounts Payable	14,936	(622)
Increase (Decrease) in Accrued Liabilities	10,545	(1,396)
Net Cash Provided by Operating Activities	<u>\$ 1,242,902</u>	<u>\$ 236,246</u>

CITY OF PLYMOUTH
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 169,282
Due from Other Governmental Units	92,495
Due from Other Funds	<u>26,909</u>
Total Assets	<u>288,686</u>
 <u>LIABILITIES</u>	
Due to Other Funds	69,336
Due to Other	<u>219,350</u>
Total Liabilities	<u>288,686</u>
 <u>NET ASSETS</u>	 \$ <u><u>-</u></u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Plymouth was incorporated March 14, 1932, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection), highways and streets, sanitation, community development, culture-recreation, public improvements, planning and zoning, water and sewerage system, and general administrative services. It also operates a municipal cemetery.

As required by generally accepted accounting principles, these financial statements present the City of Plymouth and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units is combined with data of the primary government. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. Each blended and discretely presented component unit has a June 30, 2005 year end.

Blended Component Units

The City of Plymouth Municipal Building Authority is governed by a five (5) member Board appointed by the Mayor with City Commission approval. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings and parking structures.

Discretely Presented Component Units

The City of Plymouth Downtown Development Authority (DDA) Board is comprised of up to twelve (12) members appointed by the Mayor with City Commission approval. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The Authority must obtain City Commission approval of all development and financing plans. The annual operating budget and any modifications also require the approval of the Plymouth City Commission.

The City of Plymouth Economic Development Corporation (EDC) is governed by a nine (9) member board appointed by the Mayor with City Commission approval. The EDC was established to promote economic development within the City.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

A. Reporting Entity - Continued

Discretely Presented Component Units – Continued

The City of Plymouth Brownfield Redevelopment Authority (BRA) is comprised of a six (6) member board appointed by the Mayor with City Commission approval. The BRA was established to promote the revitalization of environmentally distressed areas of the City.

The above component units are discretely presented within the City financial statements because they are legally separate and financially accountable to the City. Financial accountability is demonstrated by the City Commission making the appointments to the respective boards, approving the annual operating budgets and any amendments of each component unit and approving development and financing plans of the EDC and DDA. Separate financial statements for these component units have not been prepared. (Condensed financial information represented below.)

STATEMENT OF NET ASSETS - COMPONENT UNITS

	Downtown Development Authority	Other Governmental Funds	Total Component Units
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 385,801	\$ 114	\$ 385,915
Accounts Receivable	-	3,697	3,697
Receivables - Special Assessments	46,504	-	46,504
Due from Primary Government	-	10,824	10,824
Due from Other Governmental Units	6,731	-	6,731
Prepaid Expenses	250	-	250
Capital Assets (net of accumulated depreciation)	3,228,487	-	3,228,487
Total Assets	<u>3,667,773</u>	<u>14,635</u>	<u>3,682,408</u>
<u>LIABILITIES</u>			
Accounts Payable	118,568	-	118,568
Accrued Liabilities	3,047	-	3,047
Due to Primary Government	-	3,000	3,000
Deferred Revenue	47,515	-	47,515
Noncurrent Liabilities:			
Due within one year	200,000	-	200,000
Due in more than one year	750,000	-	750,000
Total Liabilities	<u>1,119,130</u>	<u>3,000</u>	<u>1,122,130</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	2,278,487	-	2,278,487
Reserved for Debt Service	38,286	-	38,286
Unrestricted	231,870	11,635	243,505
Total Net Assets	<u>\$ 2,548,643</u>	<u>\$ 11,635</u>	<u>\$ 2,560,278</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

A. Reporting Entity - Continued

Discretely Presented Component Units – Continued

STATEMENT OF ACTIVITIES - COMPONENT UNITS

	<u>Downtown Development Authority</u>	<u>Other Governmental Funds</u>	<u>Total Component Units</u>
Expenses	\$ (875,087)	\$ -	\$ (875,087)
Program Revenues	114,660	-	114,660
Net Revenues	<u>(760,427)</u>	-	<u>(760,427)</u>
General Revenues:			
Property Taxes	952,602	-	952,602
Unrestricted investment Earnings	<u>7,607</u>	<u>2</u>	<u>7,609</u>
Change in Net Assets	199,782	2	199,784
Net Assets-Beginning	2,348,861	11,633	2,360,494
Net Assets-Ending	<u>\$ 2,548,643</u>	<u>\$ 11,635</u>	<u>\$ 2,560,278</u>

Joint Venture

The City is a participant with the Charter Township of Plymouth in a joint venture to operate the Plymouth Community Fire Department (PCFD), which provides fire services for residents and businesses of both the City and Township. The intergovernmental agreement is considered a joint venture because the City has an ongoing financial interest and ongoing financial responsibility. Upon termination of this agreement, the City will receive an equipment equity interest equal to 25% of the net book value of the PCFD fixed assets at the termination date. The Township is responsible for the administration of the PCFD. By contract the City and the Township share in supporting the PCFD annual operations based on a cost-sharing formula, which is based on a number of factors including population, the average number of fire runs, and state equalized valuation (SEV). The City's annual operating contribution cannot fall below 25%. The City is also obligated to contribute 25% of the annual capital outlay and depreciation reserve expenses.

The City also participates in an intergovernmental service agreement with Plymouth Township for Community services (E911, Police Dispatch). The Township has sole ownership of the assets of the "Plymouth Community Communication Center" established by the agreement.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Governmental Funds

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Recreation Fund is a special revenue fund used to account for the recreation program revenues and related expenditures.

The 2004 General Obligation Capital Project Fund is a capital project fund used to account for the construction of various street and road improvements financed by the bond issue.

In addition, the City reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or capital projects).

The debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital project funds are used to account for construction projects and their related revenue sources.

Proprietary Fund

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds include the following fund types:

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Proprietary Fund – Continued

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Commission has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City's enterprise fund is the Water and Sewer Fund, which is reported as a major fund.

Internal Service Funds account for operations that provide services to other departments or agencies of the City on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental* activities in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowances for uncollectible accounts, which are recorded at \$141,960 at June 30, 2005.

3. Inventory

Inventories are valued at cost using the first-in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity-Continued

4. Restricted Assets

Resources for the debt service activity within the Water and Sewer Fund (Enterprise Fund) are segregated and classified as "Restricted Assets", and total \$695,647 at June 30, 2005.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	5-20
Infrastructure	15-30

6. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured. The long-term portion of compensated absences related to the governmental funds is a liability recorded in the Statement of Net Assets. The total liability at June 30, 2005 is \$312,494.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary funds are reported as liabilities in those funds.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$9,580,496 difference are as follows:

General Obligation Bonds Payable	\$9,268,002
Compensated Absences Payable	<u>312,494</u>
	<u>\$9,580,496</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS -
Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$503,404 difference are as follows:

Capital Outlay	\$1,068,985
Book Value of Assets Disposed	(232)
Depreciation Expense	<u>(565,349)</u>
	<u>\$ 503,404</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,137,842 difference are as follows:

Principal Repayments	\$1,201,723
Compensated Absences Increase	<u>(63,881)</u>
	<u>\$1,137,842</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

A. Budgetary Information – Continued

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. At the first meeting in April, the City Manager submits to the City Commission the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them, for the General, Special Revenue, Debt Service and Proprietary Fund Types.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to June 30, the budgets are legally enacted at the activity level for the General Fund and at the total fund expenditure level for the Special Revenue Funds through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. The City Manager is authorized to transfer amounts not to exceed 10% of the departmental budget between departmental (activity level) appropriation accounts.
6. Budget appropriations lapse at year end.
7. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
8. Budgeted amounts are reported as originally adopted, or as amended by the City Commission.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The City has no funds with deficit balances.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
Youth Advisor Fund	\$ -	\$1,537	\$(1,537)

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the City is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information, as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the City's deposits and investments:

Custodial Credit Risk is the risk that in the event of a bank failure, the City's deposits may not be recovered. Neither State law nor the City's investment policy requires consideration of custodial credit risk. As of June 30, 2005, the City's book balance of its deposits was \$6,931,812; the total book balance was \$6,933,487, due to \$1,675 in cash on hand. The bank balance was \$6,967,666 which was exposed to custodial credit risk, as follows:

		<u>Bank Balance</u>	
Insured by F.D.I.C.		\$ 200,000	
Uninsured and Uncollateralized		<u>6,767,666</u>	
Total		<u>\$6,967,666</u>	

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Insured</u>
Downtown Development Authority	\$385,801	\$385,801	\$ -
Economic Development Corporation	-	-	-
Brownfield Redevelopment Authority	<u>114</u>	<u>114</u>	-
	<u>\$385,915</u>	<u>\$385,915</u>	<u>\$ -</u>

A reconciliation of cash to the accompanying financial statements follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$6,068,558
Restricted Assets-Cash	695,647
Fiduciary Fund:	
Cash	<u>169,282</u>
Total	<u>\$6,933,487</u>

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's and the Component Units' deposits and investments consisted of the following:

Cash-Demand Deposit Accounts (includes Sweep)	\$ 4,633,642
Cash-Savings Account	\$ 983,751
Cash-Money Market Accounts (Share price=\$1)	\$ 1,736,188

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer. The City does have more than 5% of its total investments in a single issuer.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 1,243,808	\$ -	\$ -	\$ 1,243,808
Capital Assets, being depreciated:				
Building and Improvements	4,856,486	136,358	-	4,992,844
Machinery and Equipment	489,709	125,259	(18,451)	596,517
Infrastructure	10,089,746	807,368	-	10,897,114
Internal Service Fund	3,465,081	169,393	(152,670)	3,481,804
	<u>18,901,022</u>	<u>1,238,378</u>	<u>(171,121)</u>	<u>19,968,279</u>
Less: Accumulated Depreciation:				
Building and Improvements	(2,696,668)	(127,205)	-	(2,823,873)
Machinery and Equipment	(206,938)	(48,724)	18,219	(237,443)
Infrastructure	(842,301)	(389,420)	-	(1,231,721)
Internal Service Fund	(2,467,480)	(246,629)	137,028	(2,577,081)
	<u>(6,213,387)</u>	<u>(811,978)</u>	<u>155,247</u>	<u>(6,870,118)</u>
Governmental Activities				
Capital Assets, net	\$ <u>13,931,443</u>	\$ <u>426,400</u>	\$ <u>(15,874)</u>	\$ <u>14,341,969</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets - Continued

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Water and Sewer Mains	\$ 9,468,879	\$ 482,315	\$ -	\$ 9,951,194
Equipment	292,334	-	(34,948)	257,386
	<u>9,761,213</u>	<u>482,315</u>	<u>(34,948)</u>	<u>10,208,580</u>

Less: Accumulated Depreciation:

Water and Sewer Mains	(3,176,157)	(201,849)	(77,968)	(3,455,974)
Equipment	(292,887)	(16,191)	77,968	(231,110)
	<u>(3,469,044)</u>	<u>(218,040)</u>	<u>-</u>	<u>(3,687,084)</u>

Business Activities

Capital Assets, net	\$ <u>6,292,169</u>	\$ <u>264,275</u>	\$ <u>(34,948)</u>	\$ <u>6,521,496</u>
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<u>Component Units:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, being depreciated:				
Equipment	\$ 10,044	\$ 26,457	\$ -	\$ 36,501
Infrastructure	5,348,821	49,702	-	5,398,523
	<u>5,358,865</u>	<u>76,159</u>	<u>-</u>	<u>5,435,024</u>

Less: Accumulated Depreciation:

Equipment	(3,001)	(1,500)	-	(4,501)
Infrastructure	(2,019,298)	(182,738)	-	(2,202,036)
	<u>(2,022,299)</u>	<u>(184,238)</u>	<u>-</u>	<u>(2,206,537)</u>

Component Units

Capital Assets, net	\$ <u>3,336,566</u>	\$ <u>(108,079)</u>	\$ <u>-</u>	\$ <u>3,228,487</u>
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Depreciated expense was charged to functions of the primary government as follows:

General Government	\$ 66,981
Public Safety	5,166
Public Works	432,325
Recreation and Culture	60,877
Charged though internal service funds	<u>246,629</u>
	<u>\$ 811,978</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Local Street Fund	\$ 20,000
	Budget Stabilization	1,241
	Property Tax Fund	1,336
	Housing Agency	66,000
	Council on Aging Agency	2,000
		<u>90,577</u>
Major Streets	General Fund	<u>25,000</u>
Local Streets	General Fund	<u>25,000</u>
Property Tax Agency	General Fund	<u>26,909</u>
Total		<u>\$ 167,486</u>
Governmental Due to Governmental		\$ 71,241
Agency Due to Governmental		69,336
Governmental Due to Agency		<u>26,909</u>
		<u>\$ 167,486</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

C. Interfund Receivables, Payables and Transfers – Continued

2. Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets	General Fund	\$ 72,950
Recreation	General Fund	47,810
Neighborhood Services	General Fund	35,400
2002 Capital Imp. Debt	General Fund	53,390
2002 Capital Imp. Const.	General Fund	12,200
Major Streets	General Fund	25,000
		<u>246,750</u>
2002 Capital Imp. Debt	Major Streets	2,130
Local Streets	Major Streets	89,920
		<u>92,050</u>
2002 Capital Imp. Debt	Local Streets	<u>3,200</u>
2002 Capital Imp. Debt	Recreation Fund	<u>9,600</u>
2002 Capital Imp. Debt	Solid Waste	<u>6,400</u>
MVH Construction	Public Improvement	<u>60,000</u>
2002 Capital Imp. Debt	Building	<u>2,130</u>
Cemetery Trust	General Fund	<u>6,146</u>
2002 Capital Imp. Debt	Equipment Fund	<u>6,400</u>
2002 Capital Imp. Debt	Water and Sewer	<u>23,490</u>
Total		<u>\$ 456,166</u>
Governmental Transferred to Governmental		\$ 426,276
Enterprise to Governmental		23,490
Internal Service to Governmental		6,400
		<u>\$ 456,166</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2005:

	Balance			Balance	
	July 1, 2004	Additions	Reductions	June 30, 2005	Balance Within 1 Year
Gov. Activities:					
G.O. Bonds	\$ 9,010,000	\$ -	\$ 810,000	\$ 8,200,000	\$ 860,000
Landfill Closure Loan	254,725	-	61,723	193,002	66,403
M.B.A. Bonds	1,205,000	-	330,000	875,000	350,000
Comp. Absences	248,613	63,881	-	312,494	-
Note-Equip.Fund	244,665	-	110,505	134,160	109,073
	<u>\$ 10,963,003</u>	<u>\$ 63,881</u>	<u>\$ 1,312,228</u>	<u>\$ 9,714,656</u>	<u>\$ 1,385,476</u>
Business Type Activities:					
Rev. Bonds	\$ 2,490,000	\$ -	\$ 105,000	\$ 2,385,000	\$ 110,000
Bonds Payable	910,000	-	35,000	875,000	35,000
	<u>\$ 3,400,000</u>	<u>\$ -</u>	<u>\$ 140,000</u>	<u>\$ 3,260,000</u>	<u>\$ 145,000</u>
Component Unit					
D.D.A.	<u>\$ 1,150,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 950,000</u>	<u>\$ 200,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

The following is a summary of general obligation debt outstanding (excluding compensated absences) of the City as of June 30, 2005:

	<u>Number of Issues</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Governmental Activities:				
General Obligation Bonds	5	2.00%-4.75%	2019	\$ 8,200,000
Landfill Closure Loan	1	5.86%	2008	193,002
Municipal Building Authority	2	4.55%-5.25%	2009	875,000
Notes Payable Equipment	3	3.45%-5.30%	2009	134,160
Total Governmental Activities				<u>\$ 9,402,162</u>
Business Type Activities:				
Revenue Bonds Payable	4	4.70%-6.00%	2020	\$ 2,385,000
Bonds Payable	1	2.00%-5.00%	2024	875,000
Total Business Type Activities				<u>\$ 3,260,000</u>
Component Unit:				
Downtown Development Auth.	1	5.25%-5.70%	2010	<u>\$ 950,000</u>

The annual debt service requirements to maturity for debt outstanding as of June 30, 2005 are as follows:

<u>Year Ended</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,385,477	\$ 228,237	\$ 145,000	\$ 162,234
2007	1,224,795	163,110	150,000	156,005
2008	666,890	104,186	155,000	149,632
2009	635,000	87,428	160,000	142,809
2010	515,000	72,583	170,000	135,544
2011-2015	2,590,000	217,005	980,000	545,033
2016-2020	2,385,000	28,025	1,255,000	266,638
2021-2024	-	-	245,000	25,306
	<u>\$ 9,402,162</u>	<u>\$ 900,574</u>	<u>\$ 3,260,000</u>	<u>\$ 1,583,201</u>

<u>Year Ended</u>	<u>Componet Units-DDA</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 200,000	\$ 47,738
2007	225,000	36,044
2008	250,000	22,738
2009	275,000	7,838
	<u>\$ 950,000</u>	<u>\$ 114,358</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

Significant details regarding outstanding long-term debt (including current portion) for the primary government are presented below:

General Obligation Bonds

Bonds payable at June 30, 2005 for the General Obligation debt of the City serviced from a Debt Service Fund is as follows:

\$4,995,000 Unlimited Tax General Obligation Street Bonds – Series 1997, dated March 1, 1997, due in annual installments ranging from \$515,000 to \$610,000 with interest ranging from 4.35% to 4.75%, payable semi-annually. The bonds are not callable prior to maturity.	\$1,190,000
\$705,000 Unlimited Tax General Obligation Street Bonds – Series 1999, dated May 1, 1998, due in annual installments of \$100,000 with interest ranging from 4.05% to 4.60% payable semi-annually.	200,000
\$2,000,000 Unlimited Tax General Obligation Street Bonds Series 2002, dated June 1, 2002, due in annual installments ranging from \$175,000 to \$200,000, with interest ranging from 3.75% to 4.75%. Payable semi-annually in October and April.	1,760,000
\$970,000 Limited Tax General Obligation Capital Improvement Bonds, dated June 1, 2002, due in annual installments ranging from \$70,000 to \$130,000 with semi-annual interest payable October and April ranging from 2.00% to 4.00%.	750,000
\$4,300,000 Unlimited Tax General Obligation Street Bonds, Series 2005, dated June 1, 2004, due in annual installments ranging from \$250,000 to \$645,000, with semi-annual interest payable October and April from 3.50% to 4.350%	<u>4,300,000</u>
Total General Obligation Bonds	<u>\$8,200,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

On June 9, 2004, the City of Plymouth issued the Unlimited Tax General Obligation Street Bonds Series 2004, of \$4,300,000 to accomplish street improvements, and to advance refund the City's obligations remaining in the Michigan Transportation Bonds, Series 2001, which are considered defeased, and were removed from the City's financial statements.

Landfill Closure Loan

\$750,000, installment loan payable, dated February 23, 1993, due in quarterly installments of \$18,877 including interest of 5.86% through May 23, 2008. The loan is serviced by the Solid Waste (Special Revenue) Fund.

\$ 193,002

Municipal Building Authority

The City of Plymouth is party to long-term lease agreements for rental of buildings and parking structures with the City of Plymouth Municipal Building Authority. The Building Authority was created in 1962, pursuant to the provisions of Public Act 31, for the purpose of financing and constructing City facilities.

The leases stipulate that fixed annual rentals will be paid to the Authority and such rentals are pledged exclusively for payment of principal and interest on revenue bonds issued by the Authority to finance the various projects. The lease agreements also provide that after all revenue bonds are retired, the fixed annual rentals will cease, and title to all buildings and structures shall vest in the City of Plymouth.

The City's full faith and credit is pledged for the payment of these rentals (subject to constitutional limitations). The lease agreements are essentially financing vehicles for the City of Plymouth to purchase buildings and structures. Under provisions of generally accepted accounting principles for these types of leases, the assets and related liabilities encompassed by the lease are included in the Balance Sheet of the lessee (City of Plymouth) as if these assets were purchased and financed by the lessee. These assets and liabilities are normally measured by the lesser of fair market value of the property at the inception of lease or present value of the minimum lease payments (discounted) at the lessee's incremental borrowing rate at the beginning of the

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

Municipal Building Authority - Continued

lease term. Since the minimum lease payments are the payments required to retire the debt, the assets are shown at fair market value at the inception of the lease (cost) and the related lease liabilities are the outstanding revenue bonds related to the leased assets.

Bonds payable at June 30, 2005 for the Municipal Building Authority, serviced from a Debt Service Fund are as follows:

\$1,500,000, 1993 Building Authority Refunding Bonds (City Hall Addition, Library Addition and Parking Structure Phase I), dated April 1, 1993, due in annual installments of \$100,000 through September 1, 2008, with interest increasing from 4.55% to 5.00%, payable Semi-annually. Bonds maturing in the year 2005 and thereafter may be redeemed at the option of the Building Authority on any interest payment date on or after September 1, 2002, at no premium plus accrued interest up to the redemption date.	\$ 300,000
\$2,665,000, 1995 Building Authority Refunding Bonds (DPW Services, 1987 and 1988 Building Authority and District Court) dated May 23, 1995, due in annual installments ranging from \$75,000 to \$275,000 through May 1, 2009, with interest increasing from 4.70% to 5.25%, payable semi-annually. The bonds are not subject to redemption prior to maturity.	<u>575,000</u>
Total Building Authority Bonds	<u>\$ 875,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt – Continued

Municipal Building Authority - Continued

On May 23, 1995, the City, through the City of Plymouth Municipal Building Authority, defeased \$130,000 and \$1,035,000 of outstanding 1986 DPW Services Building Revenue Bonds and 1986 District Court Refunding Bonds and partially defeased \$550,000 and \$755,000 of the outstanding 1987 Building Authority Bonds Series A and 1988 Building Authority Bonds, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations for maturities due subsequent to the year ending June 30, 1995 or 1996, as applicable and the associated semi-annual interest payments. Accordingly the trust account assets and liabilities for the defeased portions of the bond issues are not included in the City's financial statements. At June 30, 2005, bonds outstanding of \$655,000, \$425,000 and \$625,000 of the 1986 District Court Refunding, 1987 Building Authority Bonds Series and 1988 Building Authority issues, respectively, are considered defeased. The 1986 DPW Services Building Revenue Bond issue was paid in full during 1996.

On April 1, 1993, the City through the City of Plymouth Municipal Building Authority partially defeased \$305,000, \$805,000 and \$210,000 of the outstanding City Hall Addition, Parking Structure Phase I and Library Addition, respective bond issues, by establishing an irrevocable trust with U.S. Government Securities sufficient to meet the annual installment principal obligations for maturities due subsequent to the year ending June 30, 1993, and the associated semi-annual interest payments. Accordingly, the trust account assets and liabilities for the defeased portions of the bond issues are not included in the City's financial statements. At June 30, 2005, bonds outstanding of \$150,000 and \$655,000 of the City Hall Addition and Parking Structure Phase I, respectively, are considered defeased. The Library Addition bond issue was paid in full during 2001.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt - Continued

Water and Sewer (Enterprise) Fund

Revenue Bonds

\$400,000, 1991 Sewage Disposal Revenue Bonds, dated March 1, 1991, due in annual installments increasing from \$35,000 to \$40,000 through February 1, 2006, with interest ranging from 5.25% to 6.50%, payable semi-annually. \$ 40,000

\$990,000 1999 Water Supply and Sewage Disposal System Revenue Bonds, Series A, dated May 1, 1999, due in annual installments increasing from \$10,000 to \$90,000 through February 1, 2019, with interest ranging from 4.70% to 5.15%, payable semi-annually. 925,000

\$710,000 1999 Water Supply and Sewage Disposal System Revenue Bonds, Series B, dated June 1, 1999, due in annual installments increasing from \$25,000 to \$50,000 through February 1, 2019, with interest ranging from 4.30% to 5.375%, payable semi-annually. 545,000

\$995,000 2000 Water Supply and Sewage Disposal System Revenue Bonds, Series C, dated January 1, 2000, due in annual installments increasing from \$25,000 to \$225,000 through February 1, 2020, with interest ranging from 4.90% to 6.00%, payable semi-annually. 875,000

Capital Improvement, General Obligation Bonds

\$910,000, 2003 Capital Improvement Bonds, dated August 1, 2003, due in annual installments ranging from \$35,000 to \$65,000, through August 1, 2012, with interest ranging from 2.0% to 5.0%. 875,000
\$3,260,000

Equipment (Internal Service) Fund

Capital Lease Obligations

\$257,816 Capital lease obligation to finance the purchase of a "Vactor" dated July 18, 2002, due in 5 annual installments of \$51,563 plus interest of 3.45%, beginning September 1, 2002. \$ 103,127

\$148,000 Capital Lease Obligation dated September 18, 2001 to finance acquisition of a Street Sweeper, payable in annual installments of \$32,615 including interest. 31,033
\$ 134,160

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt - Continued

Significant details regarding outstanding long-term debt (including current portion) for the component units are presented below:

Downtown Development Authority

\$2,400,000, 1994 Downtown Development Limited Tax General Obligation Bonds, dated August 1, 1994, due in annual installments increasing from \$200,000 to \$275,000 through January 1, 2009, with interest increasing from 5.05% to 5.70%, payable semi-annually. Bonds maturing in the year 2005 and thereafter may be redeemed at the option of the Authority on any interest payment date on or after January 1, 2005, at par value plus accrued interest to the redemption date.

\$ 950,000

E. Capital Leases

The City of Plymouth has entered into various lease purchase agreements with the Municipal Building Authority to finance the construction of certain buildings and structures. These lease agreements qualify as capital leases for accounting purposes.

The City has entered into an agreement with the Municipal Building Authority, and the 35th District Court. The Building Authority financed construction of the District Court Building through the issuance of bonds. The buildings have been sublet by the City to the 35th District Court for cash rental sufficient to retire the bonds. The arrangements strictly between the City and the Building Authority require the City to make rental payments to the Building Authority to satisfy the annual debt service requirements for the buildings and structures involved.

Commitments under these lease agreements provide for minimum annual payments summarized as follows:

<u>Year Ended</u> <u>June 30</u>	<u>1993 & 1995 Refunding Issues</u>		
	<u>City</u>	<u>District Court</u>	<u>Total</u>
2006	\$256,415	\$130,965	\$387,380
2007	244,467	5,658	250,125
Later Years	<u>325,108</u>	<u>-</u>	<u>325,108</u>
Total Minimum Lease Payments	825,990	136,623	962,613
Less: Interest	<u>(62,560)</u>	<u>(25,053)</u>	<u>(87,613)</u>
Capitalized Lease Receivable	<u>\$763,430</u>	<u>\$111,570</u>	<u>\$875,000</u>

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

IV. DETAILED NOTES ON ALL FUNDS – Continued

F. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2005, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Cemetery Trust</u>
<u>Fund Balance</u>					
Reserved for:					
Capital Projects	\$ -	\$ -	\$ -	\$2,305,463	\$ -
Debt Service	-	-	60,050	-	-
Cemetery Trust	-	-	-	-	407,028
Total Reserved	-	-	60,050	2,305,463	407,028
Unreserved:					
Undesignated	689,328	1,479,043	-	-	-
Total Fund Balance	<u>\$689,328</u>	<u>\$1,479,043</u>	<u>\$60,050</u>	<u>\$2,305,463</u>	<u>\$407,028</u>

G. Property Taxes

Property taxes are assessed as of each December 31. The City tax levy is billed on July 1 of the following year, and payable in eight installments through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. The maximum authorized operating levy for the City is 15 mills prior to "rollback" required by State laws, and additional amounts for Solid Waste as provided by State law. The City also levies voter approved amounts for general obligation debt. The City's tax levy for the 2004 tax roll is as follows (tax rate per \$1,000 of assessed valuation):

	<u>Tax Rate</u>
General Operating	11.3830
Refuse	1.8000
General Obligation Debt	<u>2.5900</u>
Total	<u>15.7730</u>

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans

1. Municipal Employees Retirement System Defined Benefit Plan

a. Plan Description

The City of Plymouth participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans - Continued

1. Municipal Employees Retirement System Defined Benefit Plan - Continued

a. Plan Description - Continued

government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

b. Funding Policy

The plan adopted by the City Commission requires no member contributions. The City is required to contribute at an actuarially determined rate; the rate for 2005 was from 2.25% to 27.41%. The contribution requirements of plan members and the City are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

c. Annual Pension Costs

For fiscal year 2005, the City's annual pension cost of \$252,266 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 8.66% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5% annually for employees under benefit E-1 or E-2. The actuarial value of MERS assets was determined on the basis of an evaluation method that assumes the funds earn the expected rate of return an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

Three-Year Trend Information

<u>Fiscal Year Ended June 30</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
2003	\$306,666	100%	\$ -
2004	222,781	100%	-
2005	252,266	100%	-

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans - Continued

2. Defined Contribution Plan

a. Plan Description

The City of Plymouth contributes to the City of Plymouth defined contribution plan, which is a defined contribution money purchase pension plan. The plan is administered by the ICMA Retirement Corporation (ICMA) who sponsors the prototype plan. Amendments are developed by ICMA and submitted to the City Commission for approval.

A defined contribution money purchase pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. All employees hired on or after March 31, 1999 are eligible to participate in the plan. Contributions made by the City or an employee vest immediately.

b. Contributions Required and Contributions Made

The City contributes 15% of gross pay for each eligible employee. During the year, the City's required and actual contributions amounted to \$432,184.

B. Post Retirement Health Care Benefits

In addition to providing pension benefits, the City provides certain health care insurance benefits to all full time employees of the City. All eligible full time employees who retire at normal retirement age are entitled to receive these benefits during their retirement. Currently 50 retirees are covered by this plan. These benefits are expensed in the year paid, on a pay-as-you-go basis. For the year ended June 30, 2005, these costs amounted to approximately \$545,126. The basis for these payments are the agreements with employee groups through collective bargaining as well as the City's personnel policy.

C. Risk Management

The City purchases insurance coverage through traditional means. The City's property and liability and workers compensation coverages are on file in the Risk Manager's office.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

V. OTHER INFORMATION – Continued

C. Risk Management - Continued

The City has contracted with Blue Cross and Blue Shield of Michigan to administer a self-funded health insurance program. Under the plan, the City pays a fixed administrative and reinsurance fee, and self-insures claims within plan limits. The plan has a \$75,000 specific stop-loss limit per insured (contract), and an annual aggregate stop-loss maximum (for the City as a total) in the amount of \$812,018, plus administrative cost on October 1 to September 30, year end, which represented the City's maximum cost exposure under the plan, subject to \$1,000,000 limitation. Claims in excess of the individual stop-loss or aggregate stop-loss limits are covered under the reinsurance coverage.

Changes in the balance of claim liability during the past year are as follows:

Unpaid claims at beginning of year	\$ 78,944
Incurred claims (including IBNRs)	1,170,106
Claims Paid	<u>(1,150,729)</u>
Unpaid claims, at end of year	<u>\$ 98,321</u>

D. Contingencies

1. Landfill Closure

The City of Plymouth owns a Solid Waste Landfill located in Salem Township. The landfill was closed and capped during the 1960's to meet the standards and requirements of that time period.

Since that time, post closure monitoring of the Landfill by the City and the Michigan Department of Natural Resources have identified problems with the deterioration of the clay cap and blockage of a storm drain that runs through the landfill. The City received a \$600,000 grant award to partially finance the costs of installing additional ventilation wells in the landfill and grouting out the 30 inch drainage pipe that runs through the landfill. In addition to this Landfill Closure DNR grant, the City borrowed \$750,000 to finance the total projected project costs of \$1,350,000.

During the procedure to eliminate the blockage to the drainage pipe, it was noted that the pipe had settled in certain sections making the grouting of the pipe impossible. The City and the DNR agreed upon a solution to route a storm sewer around the perimeter of the landfill. The project was completed in 1996 and the City was granted certification from the DNR.

CITY OF PLYMOUTH
Notes to Financial Statements
June 30, 2005

V. OTHER INFORMATION – Continued

D. Contingencies - Continued

1. Landfill Closure - Continued

The cumulative landfill closure costs incurred through June 30, 2005, amounts to \$2,286,127 reported within the Solid Waste (Special Revenue) Fund. Additionally cumulative interest expenditures of \$165,995 relating to the \$750,000 landfill closure loan through June 30, 2005, have been reflected in the Solid Waste Fund. The landfill closure obligation is considered to be satisfied at June 30, 2005. However, the City has the responsibility of monitoring the landfill site in the future and the potential for unforeseen closure costs could materialize. In the opinion of City Management the liability, if any, would not be material.

2. Property Tax Litigation

Utility companies appealed tax assessments for 1997-2004, claiming that the State Tax Commission revised depreciation tables adopted in 1999 had retroactive effect. The courts have ruled in favor of the utilities, and while the case is in appeals, the City believes a recognition of losses are likely in future years. While the exact amount of this loss is not known, a reasonable estimate based on information currently available is approximately \$244,000. This amount has been recognized as a loss in a prior year and appears as a liability in the General Fund, Debt Service Fund, Solid Waste and DDA Funds.

3. Other Matters

There are various other legal actions pending against the City. Due to the inconclusive nature of many of the actions, it is not possible to determine the probable outcome or a reasonable estimate of the City's potential liability, if any.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PLYMOUTH
Required Supplementary Information – (Unaudited)
Defined Benefit Pension Plans – Trend Information
For the Year Ended June 30, 2005

Municipal Employees Retirement System
Schedule of Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percent of</u> <u>Covered Payroll</u>
12/31/97	\$12,702,595	\$15,985,089	\$3,282,494	79%	\$ 2,921,890	112%
12/31/98	14,063,485	17,028,501	2,965,016	83%	2,895,219	102%
12/31/99	11,907,602	14,165,659	2,258,057	84%	1,226,401	184%
12/31/00	10,365,016	14,556,753	4,191,737	71%	975,470	430%
12/31/01	10,538,432	14,748,826	4,210,394	71%	980,579	429%
12/31/02	10,271,793	15,032,157	4,760,364	68%	945,511	503%
12/31/03	10,396,593	15,571,073	5,174,480	67%	747,597	692%
12/31/04	10,261,033	16,451,988	6,190,955	62%	640,031	967%

The information presented above was determined as part of the actuarial valuations at the dates indicated.

Additional information as of December 31, 2004, the latest actual valuation, follows:

Actuarial cost method	Entry age normal cost
Amortization method	Level percent
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.50%
Includes inflation at 4.5%	
Cost of living adjustments	None

CITY OF PLYMOUTH
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 4,221,000	\$ 4,369,720	\$ 4,344,436	\$ (25,284)
Licenses and Permits	3,500	3,500	3,024	(476)
Intergovernmental - Federal	-	1,250	1,250	-
Intergovernmental - State	859,390	898,390	881,548	(16,842)
Charges for Services	757,100	691,600	679,605	(11,995)
Fines and Forfeitures	35,000	30,000	76,262	46,262
Interest Earnings	15,000	40,000	46,658	6,658
Other Revenues	434,200	484,300	488,779	4,479
Total Revenues	6,325,190	6,518,760	6,521,562	2,802
Expenditures:				
General Government:				
City Commission	58,300	64,750	55,015	9,735
City Manager	335,280	342,830	335,663	7,167
Attorney	149,000	141,000	123,835	17,165
Finance	447,150	448,130	447,602	528
Clerk/Elections	180,930	191,850	190,061	1,789
Management Information Services	137,650	137,650	132,702	4,948
City Hall and Grounds	360,150	401,650	355,277	46,373
Cemetery	198,190	178,390	143,385	35,005
	1,866,650	1,906,250	1,783,540	122,710
Public Safety:				
Police	2,210,110	2,195,740	2,131,116	64,624
Fire	945,470	940,470	924,400	16,070
	3,155,580	3,136,210	3,055,516	80,694
Public Works	499,850	449,120	400,492	48,628
Recreation and Cultural-Special Events	106,720	129,720	109,903	19,817
Other	416,140	412,050	360,951	51,099
Capital Outlay	167,500	243,000	193,339	49,661
Total Expenditures	6,212,440	6,276,350	5,903,741	372,609
Excess (Deficiency) of Revenues Over Expenditures	112,750	242,410	617,821	375,411
Other Financing Sources (Uses):				
Operating Transfers In	5,000	8,000	6,146	(1,854)
Operating Transfers Out	(117,750)	(250,410)	(246,750)	3,660
Total Other Financing Sources (Uses)	(112,750)	(242,410)	(240,604)	1,806
Net Change in Fund Balance	-	-	377,217	377,217
Fund Balance - Beginning	312,111	312,111	312,111	-
Fund Balance - Ending	\$ 312,111	\$ 312,111	\$ 689,328	\$ 377,217

CITY OF PLYMOUTH
Recreation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
<u>Revenues:</u>				
Taxes	\$ 231,990	\$ 240,790	\$ 240,040	\$ (750)
Intergovernmental	11,400	11,400	7,000	(4,400)
Charges for Services	942,900	928,400	934,313	5,913
Other	-	1,000	1,115	115
Total Revenues	<u>1,186,290</u>	<u>1,181,590</u>	<u>1,182,468</u>	<u>878</u>
<u>Expenditures:</u>				
Culture and Recreation	1,224,500	1,209,300	1,139,060	70,240
Capital Outlay	-	10,500	19,570	(9,070)
Total Expenditures	<u>1,224,500</u>	<u>1,219,800</u>	<u>1,158,630</u>	<u>61,170</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(38,210)</u>	<u>(38,210)</u>	<u>23,838</u>	<u>62,048</u>
<u>Other Financing Sources:</u>				
Transfers In	47,810	47,810	47,810	-
Transfers Out	(9,600)	(9,600)	(9,600)	-
Total Other Financing Sources	<u>38,210</u>	<u>38,210</u>	<u>38,210</u>	<u>-</u>
Net Change in Fund Balances	-	-	62,048	62,048
Fund Balance(Deficit), July 1	<u>1,662</u>	<u>1,662</u>	<u>1,662</u>	<u>-</u>
Fund Balance(Deficit), June 30	\$ <u><u>1,662</u></u>	\$ <u><u>1,662</u></u>	\$ <u><u>63,710</u></u>	\$ <u><u>62,048</u></u>

CITY OF PLYMOUTH
Combining Balance Sheet
Non Major Governmental Funds
June 30, 2005

	Special Revenue	Debt Service	Capital Projects	Permanent Funds Cemetery Care	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 1,326,828	\$ 78,295	\$ 575,813	\$ 350,944	\$ 2,331,880
Accounts Receivable	10,969	-	-	762	11,731
Due from Other Funds	50,000	-	-	-	50,000
Due from Other Governmental Units	99,619	-	-	-	99,619
Other	-	-	-	55,322	55,322
Inventory	44,613	-	-	-	44,613
Prepaid Expenditures	96	250	-	-	346
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 1,532,125	\$ 78,545	\$ 575,813	\$ 407,028	\$ 2,593,511
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 95,551	\$ 18,495	\$ 2,608	\$ -	\$ 116,654
Due to Other Funds	21,241	-	-	-	21,241
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	116,792	18,495	2,608	-	137,895
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance:					
Reserved for :					
Capital Projects	-	-	573,205	-	573,205
Debt Service	-	60,050	-	-	60,050
Other	-	-	-	407,028	407,028
Unreserved	1,415,333	-	-	-	1,415,333
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balance	1,415,333	60,050	573,205	407,028	2,455,616
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 1,532,125	\$ 78,545	\$ 575,813	\$ 407,028	\$ 2,593,511
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF PLYMOUTH
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non Major Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue	Debt Service	Capital Projects	Permanent Funds Cemetery Care	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 720,106	\$ 1,036,160	\$ -	\$ -	\$ 1,756,266
Licenses and Permits	481,858	-	-	-	481,858
Intergovernmental	591,005	-	-	-	591,005
Charges for Services	214,657	-	-	11,275	225,932
Interest and Rent	12,644	397,517	9,037	6,146	425,344
Other	52,537	-	-	-	52,537
Total Revenues	<u>2,072,807</u>	<u>1,433,677</u>	<u>9,037</u>	<u>17,421</u>	<u>3,532,942</u>
Expenditures:					
General Government	1,642	-	-	-	1,642
Public Safety	389,884	-	-	-	389,884
Public Works	1,383,215	-	-	-	1,383,215
Recreation and Cultural	9,291	-	-	-	9,291
Debt Service:					
Principal	61,723	1,140,000	-	-	1,201,723
Interest and Other Charges	13,785	418,438	-	-	432,223
Capital Outlay	108,773	-	110,315	-	219,088
Total Expenditures	<u>1,968,313</u>	<u>1,558,438</u>	<u>110,315</u>	<u>-</u>	<u>3,637,066</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>104,494</u>	<u>(124,761)</u>	<u>(101,278)</u>	<u>17,421</u>	<u>(104,124)</u>
Other Financing Sources (Uses):					
Operating Transfers In	223,270	106,740	72,200	-	402,210
Operating Transfers Out	(163,780)	-	-	(6,146)	(169,926)
Total Other Financing Sources (Uses)	<u>59,490</u>	<u>106,740</u>	<u>72,200</u>	<u>(6,146)</u>	<u>232,284</u>
Net Change in Fund Balances	163,984	(18,021)	(29,078)	11,275	128,160
Fund Balance, July 1	<u>1,251,349</u>	<u>78,071</u>	<u>602,283</u>	<u>395,753</u>	<u>2,327,456</u>
Fund Balance, June 30	<u>\$ 1,415,333</u>	<u>\$ 60,050</u>	<u>\$ 573,205</u>	<u>\$ 407,028</u>	<u>\$ 2,455,616</u>

City of Plymouth
Non Major Special Revenue Funds
Combining Balance Sheet
June 30, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Solid Waste</u>	<u>Budget Stabilization</u>	<u>Public Improvement</u>	<u>Parking</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 185,833	\$ 5,119	\$ 161,964	\$ 551,241	\$ 98,560	\$ 166,628
Accounts Receivable	-	-	529	-	4,500	-
Due From Other Governmental Units	58,379	23,761	357	-	-	-
Due From Other Funds	25,000	25,000	-	-	-	-
Inventory	15,396	21,639	7,578	-	-	-
Prepaid Expenditures	-	-	-	-	-	-
Total Assets	\$ <u>284,608</u>	\$ <u>75,519</u>	\$ <u>170,428</u>	\$ <u>551,241</u>	\$ <u>103,060</u>	\$ <u>166,628</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts Payable	\$ 2,582	\$ 4,172	\$ 46,116	\$ -	\$ -	\$ -
Due to Other Funds	-	20,000	-	1,241	-	-
Total Liabilities	2,582	24,172	46,116	1,241	-	-
Fund Balance:						
Unreserved:						
Undesignated	282,026	51,347	124,312	550,000	103,060	166,628
Total Liabilities and Fund Balance	\$ <u>284,608</u>	\$ <u>75,519</u>	\$ <u>170,428</u>	\$ <u>551,241</u>	\$ <u>103,060</u>	\$ <u>166,628</u>

<u>Neighborhood Services</u>	<u>Drug Enforcement</u>	<u>Building</u>	<u>Youth Advisor</u>	<u>OWI Forfeiture</u>	<u>Total</u>
\$ 23,663	\$ 6,735	\$ 120,567	\$ 1,425	\$ 5,093	\$ 1,326,828
5,940	-	-	-	-	10,969
17,122	-	-	-	-	99,619
-	-	-	-	-	50,000
-	-	-	-	-	44,613
-	-	96	-	-	96
<u>\$ 46,725</u>	<u>\$ 6,735</u>	<u>\$ 120,663</u>	<u>\$ 1,425</u>	<u>\$ 5,093</u>	<u>\$ 1,532,125</u>
\$ 2,228	\$ -	\$ 40,453	\$ -	\$ -	\$ 95,551
-	-	-	-	-	21,241
2,228	-	40,453	-	-	116,792
44,497	6,735	80,210	1,425	5,093	1,415,333
<u>\$ 46,725</u>	<u>\$ 6,735</u>	<u>\$ 120,663</u>	<u>\$ 1,425</u>	<u>\$ 5,093</u>	<u>\$ 1,532,125</u>

City of Plymouth
Non Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005

	<u>Major Street</u>	<u>Local Street</u>	<u>Solid Waste</u>	<u>Budget Stabilization</u>	<u>Public Improvement</u>	<u>Parking</u>
<u>Revenues:</u>						
Taxes	\$ -	\$ -	\$ 720,106	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	360,937	146,889	-	-	-	-
Charges for Services	-	-	171,053	-	-	-
Interest and Rent	1,294	383	5,603	-	1,540	2,293
Other	-	6,450	6,654	-	29,768	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>362,231</u>	<u>153,722</u>	<u>903,416</u>	<u>-</u>	<u>31,308</u>	<u>2,293</u>
<u>Expenditures:</u>						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	181,961	280,407	779,851	-	-	-
Recreation and Cultural	-	-	-	-	-	-
Debt Service:						
Principal	-	-	61,723	-	-	-
Interest and Other Charges	-	-	13,785	-	-	-
Capital Outlay	-	-	-	-	108,773	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,773</u>	<u>-</u>
Total Expenditures	<u>181,961</u>	<u>280,407</u>	<u>855,359</u>	<u>-</u>	<u>108,773</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>180,270</u>	<u>(126,685)</u>	<u>48,057</u>	<u>-</u>	<u>(77,465)</u>	<u>2,293</u>
<u>Other Financing Sources (Uses):</u>						
Operating Transfers In	25,000	162,870	-	-	-	-
Operating Transfers Out	(92,050)	(3,200)	(6,400)	-	(60,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(67,050)</u>	<u>159,670</u>	<u>(6,400)</u>	<u>-</u>	<u>(60,000)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>113,220</u>	<u>32,985</u>	<u>41,657</u>	<u>-</u>	<u>(137,465)</u>	<u>2,293</u>
Fund Balance (Deficit), July 1	<u>168,806</u>	<u>18,362</u>	<u>82,655</u>	<u>550,000</u>	<u>240,525</u>	<u>164,335</u>
Fund Balance, June 30	<u>\$ 282,026</u>	<u>\$ 51,347</u>	<u>\$ 124,312</u>	<u>\$ 550,000</u>	<u>\$ 103,060</u>	<u>\$ 166,628</u>

<u>Neighborhood Services</u>	<u>Drug Enforcement</u>	<u>Building</u>	<u>Youth Advisor</u>	<u>OWI Forfeiture</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 720,106
-	-	481,858	-	-	481,858
83,179	-	-	-	-	591,005
43,604	-	-	-	-	214,657
-	86	1,412	17	16	12,644
-	1,643	-	2,945	5,077	52,537
<u>126,783</u>	<u>1,729</u>	<u>483,270</u>	<u>2,962</u>	<u>5,093</u>	<u>2,072,807</u>
105	-	-	1,537	-	1,642
-	-	389,884	-	-	389,884
140,996	-	-	-	-	1,383,215
9,291	-	-	-	-	9,291
-	-	-	-	-	61,723
-	-	-	-	-	13,785
-	-	-	-	-	108,773
<u>150,392</u>	<u>-</u>	<u>389,884</u>	<u>1,537</u>	<u>-</u>	<u>1,968,313</u>
<u>(23,609)</u>	<u>1,729</u>	<u>93,386</u>	<u>1,425</u>	<u>5,093</u>	<u>104,494</u>
35,400	-	-	-	-	223,270
-	-	(2,130)	-	-	(163,780)
<u>35,400</u>	<u>-</u>	<u>(2,130)</u>	<u>-</u>	<u>-</u>	<u>59,490</u>
11,791	1,729	91,256	1,425	5,093	163,984
<u>32,706</u>	<u>5,006</u>	<u>(11,046)</u>	<u>-</u>	<u>-</u>	<u>1,251,349</u>
\$ <u><u>44,497</u></u>	\$ <u><u>6,735</u></u>	\$ <u><u>80,210</u></u>	\$ <u><u>1,425</u></u>	\$ <u><u>5,093</u></u>	\$ <u><u>1,415,333</u></u>

City of Plymouth
Non Major Debt Service Funds
Combining Balance Sheet
June 30, 2005

	<u>1997 General Obligation</u>	<u>Motor Vehicle Highway</u>	<u>Municipal Building Authority</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 41,017	\$ 11,479	\$ 319
Prepaid Expenditure	<u>-</u>	<u>-</u>	<u>250</u>
Total Assets	\$ <u><u>41,017</u></u>	\$ <u><u>11,479</u></u>	\$ <u><u>569</u></u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ <u>13,983</u>	\$ <u>-</u>	\$ <u>-</u>
Total Liabilities	<u>13,983</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Reserved for Debt Service	<u>27,034</u>	<u>11,479</u>	<u>569</u>
Total Fund Balance	<u>27,034</u>	<u>11,479</u>	<u>569</u>
Total Liabilities and Fund Balance	\$ <u><u>41,017</u></u>	\$ <u><u>11,479</u></u>	\$ <u><u>569</u></u>

<u>1998 General Obligation</u>	<u>2002 General Obligation</u>	<u>2002 Capital Improvement</u>	<u>2004 General Obligation</u>	<u>Total</u>
\$ 9,129	\$ 11,507	\$ 1,586	\$ 3,258	\$ 78,295
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>
<u>\$ 9,129</u>	<u>\$ 11,507</u>	<u>\$ 1,586</u>	<u>\$ 3,258</u>	<u>\$ 78,545</u>
\$ <u>2,078</u>	\$ <u>1,561</u>	\$ <u>-</u>	\$ <u>873</u>	\$ <u>18,495</u>
<u>2,078</u>	<u>1,561</u>	<u>-</u>	<u>873</u>	<u>18,495</u>
<u>7,051</u>	<u>9,946</u>	<u>1,586</u>	<u>2,385</u>	<u>60,050</u>
<u>7,051</u>	<u>9,946</u>	<u>1,586</u>	<u>2,385</u>	<u>60,050</u>
<u>\$ 9,129</u>	<u>\$ 11,507</u>	<u>\$ 1,586</u>	<u>\$ 3,258</u>	<u>\$ 78,545</u>

City of Plymouth
Non Major Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2005

	<u>1997 General Obligation</u>	<u>Motor Vehicle Highway</u>	<u>Municipal Building Authority</u>
<u>Revenues:</u>			
Property Taxes	\$ 629,099	\$ -	\$ -
Interest and Rent	<u>6,211</u>	<u>158</u>	<u>384,545</u>
Total Revenues	<u>635,310</u>	<u>158</u>	<u>384,545</u>
<u>Expenditures:</u>			
Debt Service			
Principal Retirement	545,000	-	330,000
Interest, Fiscal Charges & Tax Refund	<u>85,247</u>	<u>275</u>	<u>60,767</u>
Total Expenses	<u>630,247</u>	<u>275</u>	<u>390,767</u>
Excess (Deficiency) of Revenues Over Expenditures	5,063	(117)	(6,222)
<u>Other Financing Sources:</u>			
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	5,063	(117)	(6,222)
Fund Balance, July 1	<u>21,971</u>	<u>11,596</u>	<u>6,791</u>
Fund Balance, June 30	\$ <u><u>27,034</u></u>	\$ <u><u>11,479</u></u>	\$ <u><u>569</u></u>

1998 General Obligation	2002 General Obligation	2002 Capital Improvement	2004 General Obligation	Total
\$ 112,009	\$ 148,026	\$ -	\$ 147,026	\$ 1,036,160
1,167	1,401	73	3,962	397,517
<u>113,176</u>	<u>149,427</u>	<u>73</u>	<u>150,988</u>	<u>1,433,677</u>
100,000	85,000	80,000	-	1,140,000
14,318	78,838	30,390	148,603	418,438
<u>114,318</u>	<u>163,838</u>	<u>110,390</u>	<u>148,603</u>	<u>1,558,438</u>
(1,142)	(14,411)	(110,317)	2,385	(124,761)
-	-	106,740	-	106,740
(1,142)	(14,411)	(3,577)	2,385	(18,021)
8,193	24,357	5,163	-	78,071
<u>\$ 7,051</u>	<u>\$ 9,946</u>	<u>\$ 1,586</u>	<u>\$ 2,385</u>	<u>\$ 60,050</u>

City of Plymouth
Non Major Capital Project Funds
Combining Balance Sheet
June 30, 2005

	<u>Motor Vehicle Highway</u>	<u>2002 Capital Improvement</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ <u>571,009</u>	\$ <u>4,804</u>	\$ <u>575,813</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	\$ 2,608	\$ -	\$ 2,608
Fund Balance :			
Reserved for Construction	<u>568,401</u>	<u>4,804</u>	<u>573,205</u>
Total Liabilities and Fund Balance	\$ <u>571,009</u>	\$ <u>4,804</u>	\$ <u>575,813</u>

City of Plymouth
Non Major Capital Project Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2005

	<u>Motor Vehicle Highway</u>	<u>2002 Capital Improvement</u>	<u>Total</u>
<u>Revenues:</u>			
Interest Income	\$ 8,312	\$ 725	\$ 9,037
<u>Expenditures:</u>			
Construction	<u>5,500</u>	<u>104,815</u>	<u>110,315</u>
Excess (Deficiency) of Revenues Over Expenditures	2,812	(104,090)	(101,278)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	<u>60,000</u>	<u>12,200</u>	<u>72,200</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	62,812	(91,890)	(29,078)
Fund Balance - July 1	<u>505,589</u>	<u>96,694</u>	<u>602,283</u>
Fund Balance - June 30	\$ <u><u>568,401</u></u>	\$ <u><u>4,804</u></u>	\$ <u><u>573,205</u></u>

POST, SMYTHE, LUTZ AND ZIEL LLP

Certified Public Accountants

PLYMOUTH

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Joseph N. Elder, C.P.A.
Rana M. Emmons, C.P.A.

Marty C. Morrison, C.P.A.
Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.

**1034 W. ANN ARBOR TRAIL
PLYMOUTH, MICHIGAN 48170-1502**

**TELEPHONE: (734) 453-8770
FAX: (734) 453-0312**

WAYNE

Frank W. Smythe, C.P.A.
Ronald H. Traskos, C.P.A.
Kathy Billings, C.P.A., C.V.A.

Sharon Walz Duckworth, C.P.A.
Cari A. Ford, C.P.A.
Wendy Leung Lee, C.P.A., C.V.A.
Therese Mulholland, C.P.A.

October 13, 2005

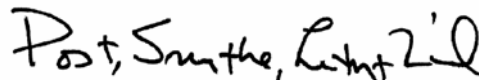
Honorable Mayor and City Commission
City of Plymouth
Plymouth, Michigan

In planning and performing our audit of the City of Plymouth for the year ended June 30, 2005, we have considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated October 13, 2005 on the financial statements of the City of Plymouth.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City officials, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,



POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

Accounting Issues

The condition of the books and records available for audit were improved over prior year results, as evidenced by a reduced number of adjustments proposed by our firm. To further improve the process and to build a reporting system capable of delivering timely and accurate interim financial information on a more regular basis, we recommend the following:

1. Accounts Payable Process: currently most invoices are received by the Accounts Payable Clerk, and then forwarded to individual user departments to acknowledge or authorize payment of the particular item(s) or service on the invoice. We recommend that this process be reviewed, and modified to take better advantage of the accounts payable and purchasing software, as well as the local area network capabilities. This would speed approval, reduce staff efforts, and allow the City to properly utilize the accounting software. Currently, accrual based financial information is not available for interim reporting, only at year end, with much manual efforts.
2. Purchasing System: The current system does not appear to accomplish many of the objectives generally established for a formalized system using "purchase orders". Current practices should be reviewed with the goal of "mapping" purchases to an appropriate budgetary line item and serve as an authorization to the Finance Department, to enter the matching invoice into the accounting system.
3. Pass Through Fees-during our review, we noted that the City did not appear to have a formalized system to track expenses incurred on behalf of private parties for engineering and inspection. Approximately \$90,000 of invoicing for engineering and other services paid by the City was not accomplished until mid October, for costs incurred during fiscal 2004-2005. We recommend that the City establish formal project accounting for larger projects.
4. Water Sewer Tap Fees-there is a lack of formalized procedures between the building and utility departments in coordinating the establishment of new utility billing accounts, and the permitting process. Given the recent increased development activity of the City, we suggest that a review of the processes be undertaken to insure smooth flow of information, between the departments.
5. Performance bonds-occasionally the City requires homeowners and developers to post cash bonds to insure the completion of a project, or compliance with City regulations. We suggest that a formal accounting process be develop to insure that the bonds are properly managed and disposed.

6. Water billing-during the audit we noted that a local business was inappropriately credited with a negative billing of approx. \$90,000, due to a meter roll over. The City administration has indicated that the software program did not properly note the discrepancy, and the program has been modified to alert the billing persons in these situations. We suggest that a bottoms up review of the billing process be accomplished, and check lists established, and sign offs occur at each step of the process, to insure more accurate billings.
7. Sales tax- we found that sales tax was paid to a long time vendor, for materials purchased for the City's use. It is our understanding that the vendor has credited all the taxes paid. We suggest that employees responsible for approving payment be made aware of the sales tax exemption granted to the City under State law, and that a review of all vendor payments be accomplished for sales tax payments.